

May 20, 2003

File: 31-150.13.10

Board of Directors
County Sanitation District
No. 27 of Los Angeles County

Directors:

Special Meeting Agenda

The agenda consists of the following item for the Special Meeting of the Board of Directors of the District meeting Tuesday, May 27, 2003:

1. Adopt Resolution Approving Issuance of Revenue Bonds. In order to benefit from the collective strength of all the Sanitation Districts, the Los Angeles County Sanitation Districts Financing Authority (comprised of all active Districts and governed by the chairpersons of each District) was established and sold revenue bonds in 1993 on behalf of this District and all other participating Districts. The bonds sold on behalf of District No. 27 were for the purpose of financing its contractual obligation to the City of Los Angeles (City) for sewer service. Historic low interest rates present an opportunity for refinancing these bonds and reducing the associated debt service. Additionally, because District No. 27 was very successful in its contract negotiations with the City and was able to significantly reduce its obligations to the City, not all of the bond proceeds were needed. Thus, it is also recommended that the bond proceeds not required for identified future projects be refunded, further lowering the debt obligation. The overall recommendation (combined refinancing and refunding) would lower District No. 27's outstanding debt from \$1,250,000 to \$853,000, resulting in an annual savings of \$33,000 per year. The mechanism for both the refinancing and the refunding is to issue new (2003) bonds and retire the 1993 bonds.

As all of the other Districts also desire to take advantage of the current low interest rates available and have identified future capital needs, the Financing Authority is planning to sell bonds in June 2003. Accordingly, the Financing Authority is scheduled to meet on May 28 to consider final action to approve the sale of the bonds. Hence, District No. 27 must meet prior to this date to consider inclusion in this bond sale. Each participating District will pledge all or a portion of its ad valorem taxes in repayment of the bonds sold on its behalf in accordance with the attached documents.

To accomplish the above, the Board must adopt the resolution that is on the agenda for the special May 27, 2003, Board meeting. The resolution approves all of the necessary documents in substantially final form, directs staff to distribute them, and authorizes the Financing Authority to sell bonds on its behalf. A resolution is used because the official documents cannot be finalized until after the pricing is complete in late June. The resolution authorizes the Chair of the District and/or the Chief Engineer and General Manager to

sign the final documents after the close of pricing.

The contents of the necessary documents are summarized below and the complete documents are attached.

- Preliminary Official Statement — This document is equivalent to a prospectus that would be issued when buying or selling stock. It contains general information about the Districts, provides specific historic and projected financial data, gives information on the size of the proposed bond transaction and intended uses of the proceeds, and summarizes the requirements of the other bond documents.
- Joint Acquisition Agreement — Through this agreement, each District contracts for a proportionate share of the total bond proceeds issued by the Financing Authority. Similarly, each District covenants to make the repayment corresponding to its share of the bond proceeds. As part of those covenants, each District agrees to set appropriate service charge rates, to provide continuing disclosure, and to “step-up” in the event of default by another District. It also establishes the parameters under which a District can undertake additional debt (either bonds or loan).
- Indenture — This agreement is between the Financing Authority and the Trustee (a third party acting on behalf of the bond holders). The Indenture establishes the accounting practices that must be used and creates a flow of funds to ensure that the bondholders are repaid in a timely and orderly fashion.
- Continuing Disclosure Agreement — The Securities and Exchange Commission (SEC) requires that bond underwriters provide continuing and update information on any bonds they have sold. Because the Districts are the primary source of the necessary information, the underwriters require that the Districts provide continuing and updated financial information on an annual basis. This agreement effectuates that requirement. For the most part, the required information is already contained in the Districts’ Comprehensive Annual Financial Report.
- Bond Purchase Agreement — This agreement is between the Districts, the Financing Authority and the underwriters. It requires the underwriters to purchase the bonds from the Districts for resale to the public and requires the Districts, through the Financing Authority, to make the bonds available to the underwriters.

Yours very truly,

James F. Stahl

JFS:MAH:rb
Enclosures

cc: B. Richard Marsh
Executive Office (8 copies, one for PRESS)

bcc: Department Heads
Joe Haworth